

## A SNAPSHOT OF THE

# GOVERNMENT ACCOUNTING STANDARDS BOARD OTHER POST-EMPLOYMENT BENEFITS RULES

### Background

The Government Accounting Standards Board (GASB) adopted a new accounting standard, GASB 43 and GASB 45, that will change how all States report their future liability for retiree healthcare and other benefits. GASB enacted this change to establish standards for the measurement, recognition, and display of Other Post-Employment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

### Overview

GASB 43 and GASB 45 directly impact how all states, including Georgia, report OPEB liabilities. As a result of the standards, State Health Benefit Plan (SHBP) is required to record liabilities for the future cost of the retirement benefits for both active and currently retired members of SHBP beginning Fiscal Year (FY) 2007 (July 1, 2006).

### How is the OPEB Liability Calculated?

SHBP estimates liability based on a number of assumptions including the number of current retirees receiving healthcare benefits, the number of current employees expected to be eligible for healthcare benefits in retirement, the health coverage options available to retirees and the projected growth in medical costs.

### How much is the OPEB liability?

#### OPEB INCLUSIONS

- Compensation received after employment ends in exchange for employees' current service
- Post-employment health care benefits (dental, medical, prescription, vision)
- Other benefits (if not part of the pension plan) such as, life insurance, disability, long-term care, group legal and retiree discounts

#### OPEB EXCLUSIONS

- Vacation
- Sick Leave
- COBRA
- Ad-hoc early retirement or termination incentives
- Conversion of unused paid-time-off hours to an individual retiree health care account

#### STATE HEALTH BENEFIT PLAN JUNE 30, 2006 OPEB LIABILITY (IN MILLIONS)

	STATE EMPLOYEES	TEACHERS	NON-CERTIFICATED SCHOOL SERVICE PERSONNEL	TOTAL
Accrued Liability*	\$5,087.3	\$13,172.6	\$924.5	\$19,184.4
Annual Required Contribution	\$387.8	\$1,194.8	\$95.3	\$1,677.8

\*based on 30 years amortization

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### **Does the Government Accounting Standards Board require states to fund liability?**

No. GASB does not require that the liability be funded. However, most states, including Georgia, are looking at ways to begin funding the liability. States may amortize the funding of the liability over a 30-year period.

### **What proactive steps is Georgia taking to address GASB 43 and GASB 45?**

In the 2005 Legislative Session SB 284 passed, which creates the Georgia Retiree Health Benefit Fund. The Georgia Department of Community Health (DCH) is responsible for the operation of the Fund, which provides a mechanism for the State to house funds appropriated for the GASB liability. SB 284 also allows DCH to contract with the Division of Investment of the Teachers Retirement System and the Employees' Retirement System for investment services required for the fund.

In FY 2008, the General Assembly appropriated \$100 million in state funds to partially fund the annual required OPEB contribution for state employees. These funds were appropriated to state agencies who participate in the State Health Benefit Plan. These agencies contribute a percentage of their active payroll to the Georgia Retiree Health Benefit Fund for OPEB funding.